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FOR ACTION

UNICEF MANAGEMENT REVIEW, GLOBAL FUNDS PROGRAMME BUDGET AND ADMINISTRATIVE AND PROGRAMME SUPPORT BASELINE BUDGET FOR THE BIENNIUM 1996-1997

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) had an initial exchange of views with representatives of UNICEF on 23 March 1995 (before the appointment of the new Executive Director), on the following documentation:

(a) Strengthening management in UNICEF (E/ICEF/1995/AB/L.4);

(b) Global funds programme budget recommendations for the biennium 1996-1997 (E/ICEF/1995/AB/L.10);

(c) Administrative and programme support budget: baseline budget estimates for the biennium 1996-1997 (E/ICEF/1995/AB/L.5).

The Advisory Committee's comments, in the present report, are preliminary. They are being made in light of the Executive Board decisions 1995/7 (E/ICEF/1995/9 (Part I)), adopted at the first regular session of 1995, and 1995/12 (E/ICEF/1995/9 (Part II)), adopted at the second regular session of 1995. The Committee expects that, on the basis of the work to be carried out as outlined in E/ICEF/1995/AB/L.4, conclusions and recommendations will be reached and subsequently submitted to the Executive Board through the Advisory Committee. The Committee intends to revert to these issues and to examine the UNICEF proposals in depth once they are formulated and presented to the Executive Board. In the meantime, the Committee expects that maintenance budgets for the global funds programmes and for administrative and programme support will be implemented with caution; the Committee believes that any new initiatives should await consideration by the Committee and the Executive Board in the context of further budget proposals, which are to be submitted after action has been taken on the management study proposals.

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* E/ICEF/1995/13/Rev.1. As advised by the Executive Board at the pre-session information meeting held on 11 May 1995, consideration of items 7 and 8 is deferred to the third regular session of 1995.

I. STRENGTHENING MANAGEMENT IN UNICEF

2. The Advisory Committee notes that the report on the UNICEF management review (E/ICEF/1995/AB/L.4) was prepared in response to Executive Board decision 1995/7, which requested UNICEF to provide, inter alia, to the second regular session of the Executive Board (20-23 March 1995) the initial response of the UNICEF secretariat to the recommendations in the report on the management study of UNICEF, prepared with the assistance of external consultants.

3. The Advisory Committee welcomes the UNICEF management study as an important and timely effort to identify UNICEF achievements, together with areas of weaknesses where remedial action is required. The Committee notes that the management study deals with many areas that have been of concern to the Advisory Committee for some time, particularly those mentioned in the Committee's report of 15 April 1993 (E/ICEF/1993/AB/L.2), in which the Committee also recommended an independent management study of UNICEF operations.

4. As indicated in paragraph 4 of E/ICEF/1995/AB/L.4, the initial response of UNICEF to the recommendations of the study are limited to "a broad overview, which is subject to amplification as the consultation and implementation process proceeds".

5. Upon inquiry, the Advisory Committee was informed that, as requested by the Executive Board in decision 1995/7, internal structures needed to guide the consultation, the implementation and monitoring of the management review process were being put in place. The Committee was provided with terms of reference for the implementation structure as submitted by UNICEF to the Executive Board during its regular second session of 1995. According to UNICEF, the implementation structure comprises the Executive Board, the Executive Director, a steering committee, a task force and advisory councils. In the view of the Committee, further elaboration is needed of the specific terms of reference of the structure, particularly with regard to the relative roles of the Executive Board, the Executive Director and the steering committee. In this connection, the Advisory Committee recommends a cautious approach with regard to the use of consultants (see paragraph 12 below).

6. As part of the implementation structure for the reform process, the Committee notes that a full-time task force has already been designated to deal with the management study and to develop a plan of action. The Committee notes that the task force will play a key role in the reform process, with overall responsibility, as indicated in paragraph 42 of E/ICEF/1995/AB/L.4, "for prioritizing, planning, managing, coordinating and monitoring the entire review and implementation process"; the task force will be composed of four full-time UNICEF staff. The Committee believes that further clarification is needed as to the role of the task force vis-à-vis the steering committee, as well as an indication as to how the interests of the field would be represented in the task force.

7. Upon inquiry, the Committee was informed by UNICEF representatives that the review process had already started, taking into account the need to ensure the full and active participation of the UNICEF staff, as requested by the Board. It was mentioned that the implementation structure for the reform process included global and regional advisory councils, whose terms of reference call for the participation of selected staff from both headquarters and the field to advise the task force. It was added that the challenge to improve UNICEF operations and strengthen its management had already begun to be felt in many parts of UNICEF.

8. As requested by the Executive Board in decision 1995/7, the UNICEF report (E/ICEF/1995/AB/L.4) groups the recommendations of the study in three

categories: "(i) implementation is possible soon and requires no Board action; (ii) implementation requires further analysis and consultation; and (iii) Board approval required (especially for structural, financial and staffing aspects)".

9. With regard to the first category of the recommendations of the study, the Committee notes that the internal review process includes recommendations related to human resources management, staff morale and staff performance. The Committee was informed that a start had already been made in implementing recommendations in the area of human resources. In this regard, selected areas for immediate action have been identified by UNICEF (see paragraph 18 of E/ICEF/1995/AB/L.4).

10. The Committee recalls that in paragraph 5 of decision 1995/7, the Executive Board encouraged the UNICEF secretariat to seek the guidance of the Board when necessary. The Committee is of the view that, in implementing the recommendations of the management study, the human resources management area is one where close consultations with the Executive Board should take place in order to ensure sustainability of the reform. The Committee believes that high priority should be given to the recommendations in the management study on human resources management and recommends that UNICEF present a report to the Executive Board outlining a strategy to implement these recommendations.

11. As indicated in paragraphs 29 and 30 of E/ICEF/1995/AB/L.4, "in-depth follow-up work by consultants is needed in the three areas" of importance in UNICEF operations: (a) supply; (b) financial systems; and (c) information resources management. The costs of these consultants are estimated at $3 million for 1995 and 1996. The requirements for 1995 ($2,350,000) would be covered through the reallocation of funds from the approved administrative and programme support budget for 1994-1995, while those for 1996 ($650,000) would be covered in the baseline budget for 1996-1997 to be submitted to the Executive Board at its annual session (see table 2 and paragraph 52 of E/ICEF/1995/AB/L.4). Upon request, the Committee was provide with tentative terms of reference for these consultants.

12. The Committee cautions against the over-use of consultants in the reform process and stresses the need for the full use of in-house expertise. In the view of the Committee, it is also important to identify early the overall total costs of the consultants and to draw specific, carefully elaborated terms of reference. The Committee notes that in addition to the $3 million foreseen for consultants in 1994-1995, the operating budget for the management of the task force amounts to $2,988,000 ($1,530,500 for 1995 and $1,457,500 for 1996). In this regard, it was not clear to the Committee how it was possible to reallocate resources in 1995 and what effect, if any, this reallocation had on programmed activities. The Advisory Committee points out that these cost estimates were submitted to the Executive Board prior to the review by the Committee. The Advisory Committee recommends that a full cost estimate and analysis for all expenditures related to the UNICEF management review be prepared for submission through the Advisory Committee to the Board at its next session.

13. The management review of UNICEF is a major undertaking, and, as is already evident, the consideration and approval of related proposals will take place during a number of sessions of the Executive Board. The Advisory Committee recommends that an item entitled "implementation of the management study" should be part of the Board's agenda on a regular basis until the Board decides otherwise, upon recommendation from the Advisory Committee. Pursuant to the request contained in Executive Board decision 1995/12, paragraph 3, there should be a work plan on a phased implementation of the study. To minimize disruption and uncertainty and to facilitate a focused discussion in the Executive Board, the Advisory Committee recommends that proposals to be taken up at each session of the Board should be grouped in a comprehensive report and should, to the maximum extent possible, focus on one particular area or aspect of UNICEF

management and operations. Proposals of the Executive Director should indicate clearly how they relate to the management study, or if they differ or are in addition to what is contained in the study, the reason should be explained.

II. GLOBAL FUNDS PROGRAMME BUDGET RECOMMENDATION FOR THE BIENNIUM 1996-1997

14. The Advisory Committee notes that the report on the global funds programme budget for 1996-1997 (E/ICEF/1995/AB/L.10) was prepared taking into account Executive Board decision 1995/6 (E/ICEF/1995/9 (Part I)), adopted at its first regular session of 1995, by which the Board decided "to postpone the preparation of the administrative and programme support budget and the global funds budgets for the biennium 1996-1997 pending its decision on implementation of the management review of UNICEF". Accordingly, the estimates for 1996-1997 were prepared, as agreed by the Board, as an interim "baseline budget" proposal based on the approved budgets for the period 1994-1995.

15. The Committee notes that the 1996-1997 baseline global funds budget proposal does not contain a request for additional posts or upgrading of posts charged to the global funds budget. As shown in table 1 of E/ICEF/1995/AB/L.10, the 1996-1997 estimates amount to $306,657,000 ($153,157,000 from general resources and $153,500,000 from supplementary funds). The 1996-1997 estimates show a reduction of $13,962,000 ($3,432,000 from general resources and $10,530,000 from supplementary funds).

16. Upon request, the Committee was provided with a list of 234 posts charged to global funds (129 Professional and 105 General Service posts). The Committee notes that the largest proportion of posts (74 Professionals and 54 General Service) remain allocated to headquarters-based activities for the Interregional Fund for Programme Preparation, Promotion and Evaluation and Programme Funds for the 1990s Goals (PF90s). In the past, the Committee has reiterated its view that the number of posts allocated to headquarters is high and that, as a result of global funds activities at headquarters, there had been a disproportionate increase in administrative costs, including shortages of office accommodation at headquarters at the expense of project delivery in the field (E/ICEF/1993/AB/L.2, para. 54). The Committee recalls that global funds are intended primarily to provide additional programme resources and technical support to countries and that these activities, such as the PF90s activities, should be phased out or, if successful, integrated into country programmes (E/ICEF/1993/AB/L.2, para. 51).

17. As indicated in paragraph 5 of E/ICEF/1995/AB/L.10, "revisions to the baseline budget will be submitted to the Executive Board during the remainder of 1995, and in 1996 and 1997, as and when it becomes necessary". In this connection, the Committee trusts that careful consideration will be given to the implementation of the recommendations of the management study on global goals which also reflect the views of the Committee.

III. ADMINISTRATIVE AND PROGRAMME SUPPORT BUDGET: BASELINE BUDGET ESTIMATES FOR THE BIENNIUM 1996-1997

18. The Advisory Committee notes that the report on the administrative and programme support budget for 1996-1997 (E/ICEF/1995/AB/L.5) was prepared pursuant to decision 1995/6. Accordingly, the budget proposal does not contain any request for additional posts or upgradings of posts. The estimates for the 1996-1997 biennium have been maintained at the approved level for 1994-1995 of $431.4 million. The estimates cover the cost of existing posts and associated operating costs.

19. As indicated in paragraph 2 of E/ICEF/1995/AB/L.5, in accordance with decision 1994/R.3/5 (E/ICEF/1994/13), adopted at the third regular session of 1994, all headquarters posts previously charged to recovery funds are budgeted in the 1996-1997 administrative and programme support budget proposal, as the policy of charging a 6 per cent recovery fee has been discontinued by the Board. Upon request, the Committee was informed that 153 posts (56 Professional and 97 General Service posts at headquarters), which were previously charged to recovery funds, will be charged to the administrative and programme support budget in accordance with the Board's decision. Annex I of E/ICEF/1995/AB/L.5 shows that total staff costs amount to $295,046,000 for 1996-1997, including $24,614,000 corresponding to the cost of 153 posts previously charged to recovery funds. The Committee was provided with the proposed staffing table by post level for the 1996-1997 administrative and programme support budget. This is attached to the present report as annex I.

20. The Committee also observes that, in accordance with decision 1994/R.3/5 (c), general operating costs of the field offices have been calculated on a net basis, taking into account the application of a 3 per cent recovery charge from supplementary-funded projects. Accordingly, the field general operating costs are estimated at $43,023,000, after the application of a recovery charge estimated at $27,600,000 for 1996-1997.

21. Upon request, the Committee was provided with a breakdown of the staff and of the general operating costs for the proposed 1996-1997 administrative and programme support budget (see annex II to the present report). The Committee is not convinced that a careful analysis of administrative costs at headquarters and field offices has yet been carried out. This is particularly so with regard to the "project" posts previously charged to recovery funds. As shown in the management study, during the last decade, while "core" posts have been frozen, "non-core", temporary staff and consultants have driven total growth to 10 per cent a year.

22. With regard to the current resource situation, upon request, the Committee was informed that supplementary and emergency funding accounted for almost all of the increases in income in 1994. General resources income came close in 1994 to that projected in the medium-term plan in great measure as a result of a weakened United States dollar. For the period 1995-1998, the Committee was furnished with the medium-term plan income projections. These are attached to the present report as annex III. The Committee notes that general resources income is projected to grow modestly in nominal terms and to decline in real terms. In light of the resource projections for the near future, the Committee believes that further streamlining of the administrative and programme support functions, including further rationalization of the staff, and, if necessary, recruitment freezing, is essential to achieve a more cost-effective programme delivery. In this regard, the Committee welcomes the relevant recommendations of the management study. The Committee trusts that proposals to this end will be submitted to the Executive Board in the revisions of the 1996-1997 baseline budget, as indicated in paragraph 5 of E/ICEF/1995/AB/L.5.

Annex I

PROPOSED POSTS FOR THE 1996-1997 ADMINISTRATIVE AND PROGRAMME SUPPORT BASELINE BUDGET

Posts by grade	Approved 1994/1995 core posts a/	Changes in core posts	Baseline 1996/1997 core posts	Recovery project posts b/	Management task force core posts	Total core and project posts
USG	1	0	1	0	0	1
ASG	2	0	2	0	0	2
D2/L7	25	0	25	0	1	26
D1/L6	51	0	51	0	1	52
P5/L5	175	(1)	174	6	0	180
P4/L4	152	2	154	26	0	180
P3/L3	81	(1)	80	19	1	100
P2/P1/L2/L1	15	0	15	5	0	20
Total International Professional	502	0	502	56	3	561
National Professional	230	0	230	0	0	230
General Service	1,379	0	1,379	97	1	1,477
Total posts	2,111	0	2,111	153	4	2,268

a/ E/ICEF/1993/AB/L .1/Corr. 2.

b/ See E/ICEF/1995/AB/L.5, paragraph 3.

Annex II

INCREASES (DECREASES) FROM APPROVED 1994-1995 BUDGET TO PROPOSED 1996-1997 BASELINE BUDGET
(In thousands of United States dollars)

Category 1	Approved 1994-1995	Baseline 1996-1997	Increase (decrease)	% Increase (decrease)
International staff costs				
Core posts	80,856	81,600	744	0.9
Travel/removal	9,149	11,183	2,034	22.2
Separation and repatriation	1,000	2,000	1,000	100.0
Rental subsidy	3,344	3,207	(137)	(4.1)
Mobility and hardship allowance	9,317	8,935	(382)	(4.1)
Pension fund	14,965	16,594	1,629	10.9
Reimbursement of taxes	3,509	4,066	557	15.9
Dependency	7,985	7,658	(327)	(4.1)
Compensatory pay	100	100	0	0.0
Home leave	3,386	3,618	232	6.9
United Nations Volunteers	406	431	25	6.2
Medical insurance	1,492	1,535	43	2.9
Subtotal, International staff costs	135,509	140,927	5,418	4.0
Staff training -	5,650	5,650	0	0.0
Subtotal, Staff training	5,650	5,650	0	0.0
Local staff costs				
Core posts	65,496	74,002	8,506	13.0
Travel/removal	747	716	(31)	(4.1)
Separation	1,125	1,105	(20)	(1.8)
Mobility and hardship allowance	656	726	70	10.7
Pension fund	12,775	14,314	1,539	12.0
Reimbursement of taxes	5,737	5,740	3	0.1
Dependency	4,316	4,006	(310)	(7.2)
Compensatory pay	24	26	2	8.3
Home leave	395	326	(69)	(17.5)
Staff welfare	1,017	1,006	(11)	(1.1)
Medical insurance	6,153	6,449	296	4.8
Subtotal, Local staff costs	98,441	108,416	9,975	10.1
Short-term Professional	4,876	4,078	(798)	(16.4)
Short-term General Service	4,828	5,513	685	14.2
Overtime	3,170	2,955	(215)	(6.8)
Short-term ancillary	3,093	2,894	(199)	(6.4)
Subtotal, Temporary assistance and overtime	15,967	15,440	(527)	(3.3)
Total, Category 1 - Staff costs	**255,567**	**270,433**	**14,866**	5.8

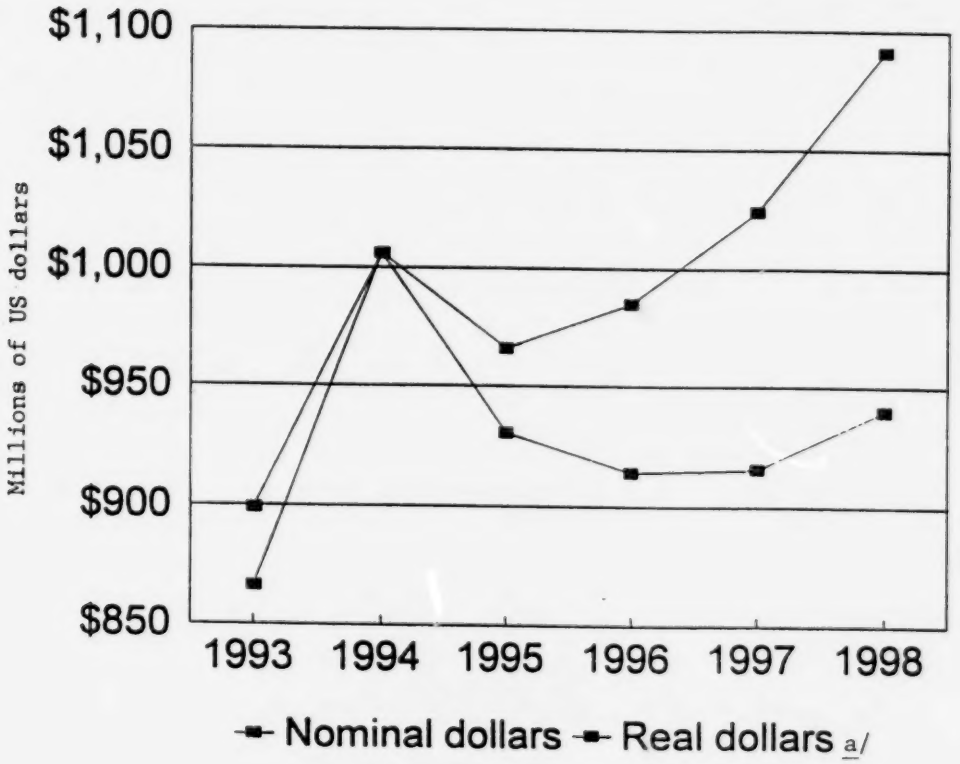
Annex II (continued)

	Approved 1994-1995	Baseline 1996-1997	Increase (decrease)	% Increase (decrease)
Category 2				
Travel on official business	17,962	17,505	(457)	(2.5)
Freight	8,031	6,868	(1,163)	(14.5)
Telephone	8,858	8,094	(764)	(8.6)
Telex	6,621	5,947	(674)	(10.2)
Subtotal, Communications costs	23,510	20,909	(2,601)	(11.1)
Information - Audio-visual	5,823	4,850	(973)	(16.7)
Information - Publications	5,986	5,040	(946)	(15.8)
Information support costs - Other information	3,756	2,339	(1,417)	(37.7)
Subtotal, Information costs	15,565	12,229	(3,336)	(21.4)
Rental of premises	30,519	29,286	(1,233)	(4.0)
Utilities/maintenance of premises	13,950	12,851	(1,099)	(7.9)
Insurance	918	737	(181)	(19.7)
Subtotal, Rental and maintenance of premises	45,387	42,874	(2,513)	(5.5)
Office supplies	3,416	3,008	(408)	(11.9)
Computer supplies	5,509	4,235	(1,274)	(23.1)
Software development	7,919	7,125	(794)	(10.0)
Miscellaneous supplies and services	2,289	2,082	(207)	(9.0)
Subtotal, Office supplies and services	19,133	16,450	(2,683)	(14.0)
Rental/operations/maintenance/installation of equipment	8,053	7,370	(683)	(8.5)
Computer rental/maintenance and services	7,582	6,451	(1,131)	(14.9)
Maintenance/operations transport equipment	4,840	4,175	(665)	(13.7)
Subtotal, Rental and maintenance of equipment and vehicles	20,475	17,996	(2,479)	(12.1)
External audit	841	841	0	0.0
Joint Inspection Unit	334	383	49	14.7
Reimbursements to United Nations	6,947	7,306	359	5.2
Subtotal, United Nations reimbursment	8,122	8,530	408	5.0
Hospitality	882	743	(139)	(15.8)
Subtotal, Hospitality	882	743	(139)	(15.8)
Furnitures/fixtures/permanent equipment	4,852	4,392	(460)	(9.5)
Transport equipment	3,270	2,510	(760)	(23.2)
Computer equipment	8,136	6,973	(1,163)	(14.3)
Warehouse equipment	628	628	0	0.0
Subtotal, Acquisition of furniture and equipment	16,886	14,503	(2,383)	(14.1)
Total, Category 2 - General operating costs before recovery	**167,922**	**151,739**	**(16,183)**	(9.6)
Recovery	(3,200)	0	3,200	(100.0)
Total, Category 2 - General operating costs after recovery	**164,722**	**151,739**	**(12,983)**	(7.9)
Packing and assembly costs	11,074	11,074	0	0.0
Grand total	**431,363**	**433,246**	**1,883**	0.4

Annex III

UNICEF INCOME PROJECTIONS (1993-1998)
(In millions of United States dollars)

	1993	1994	1995	1996	1997	1998
Nominal dollars	866	1,006	966	985	1,024	1,091
Real dollars a/	899	1,006	931	914	916	940



a/ Real 1994 dollars using inflation equal to 3.8%.